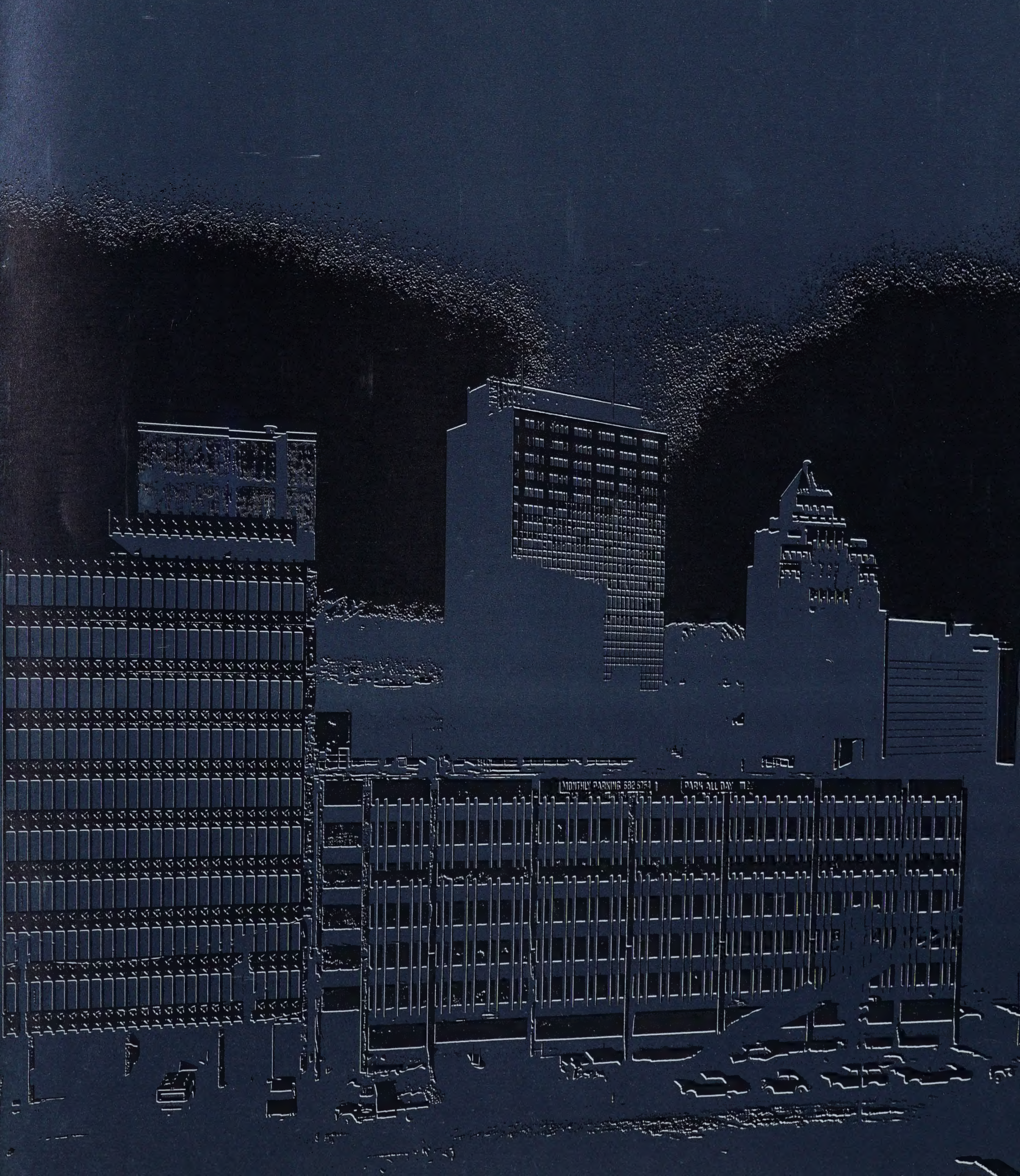
# dawson developments limited annual report 1971





## A MESSAGE FROM THE CHAIRMAN

As we enter 1972, leaving behind a period beset with economic uncertainty, it is appropriate to look ahead to see what lies in store for our economy and our industry in the mid-seventies. With the settling of the international monetary situation and the removal of the U.S. surcharge, the economic mood should turn to one of optimism. This will act as a strong stimulant to the Canadian economy. The only cloud on the horizon is inflation which to date has not been defeated.

The real estate industry will be aided by a resurgence in the economy and the consequent demand for residential and commercial accommodation. Lower interest rates than have been available recently will enable the real estate industry to provide this accommodation at prices that will be attractive to the consumer and profitable to the developer. In summary, I look forward to a favourable climate for the real estate industry.

The challenges that lie ahead for management of companies such as ours are: to anticipate economic conditions; be sensitive to the nation's changing social needs; and be efficient in the utilization of our resources. I believe our Company is capable of meeting these challenges.

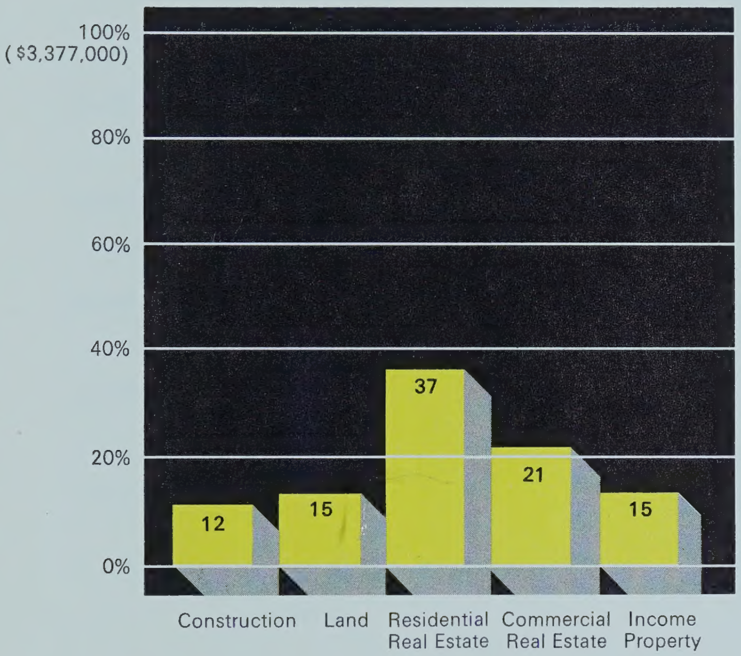
G. R. Dawson,
*Chairman of the Board.*

## FINANCIAL HIGHLIGHTS

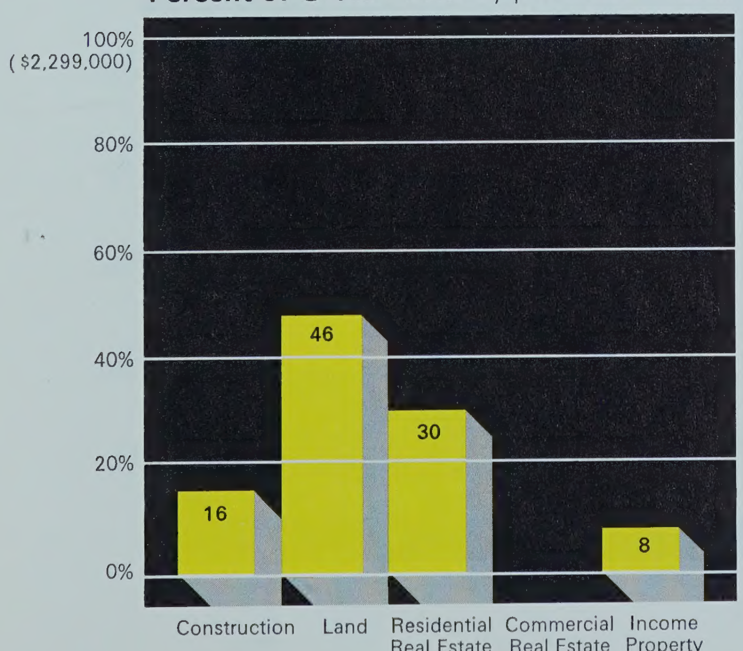
| | 12 Months Ended February 29, 1968 | 8 Months Ended October 31, 1968 | Year Ended October 31, 1969 | 1970 | **1971** |
|---|---|---|---|---|---|
| Total Operating Revenue (in $000) | $6,151 | $6,329 | $14,876 | $15,417 | **$26,116** |
| Net Income (in $000) | 50 | 324 | 782 | 708 | **856** |
| Earnings Per Share | 7¢ | 43¢ | 78¢ | 71¢ | **86¢** |
| Total Assets (in $000) | 4,141 | 5,965 | 12,977 | 25,355 | **35,852** |
| Shareholders' Equity (in $000) | 197 | 540 | 2,472 | 3,180 | **4,036** |
| Cash Flow Per Share | .33 | .56 | 1.43 | 1.55 | **1.82** |

*COVER: 1090 West Pender and Parking Structure, Vancouver, British Columbia*

**Percent of Gross Profit** by profit centre **1971**



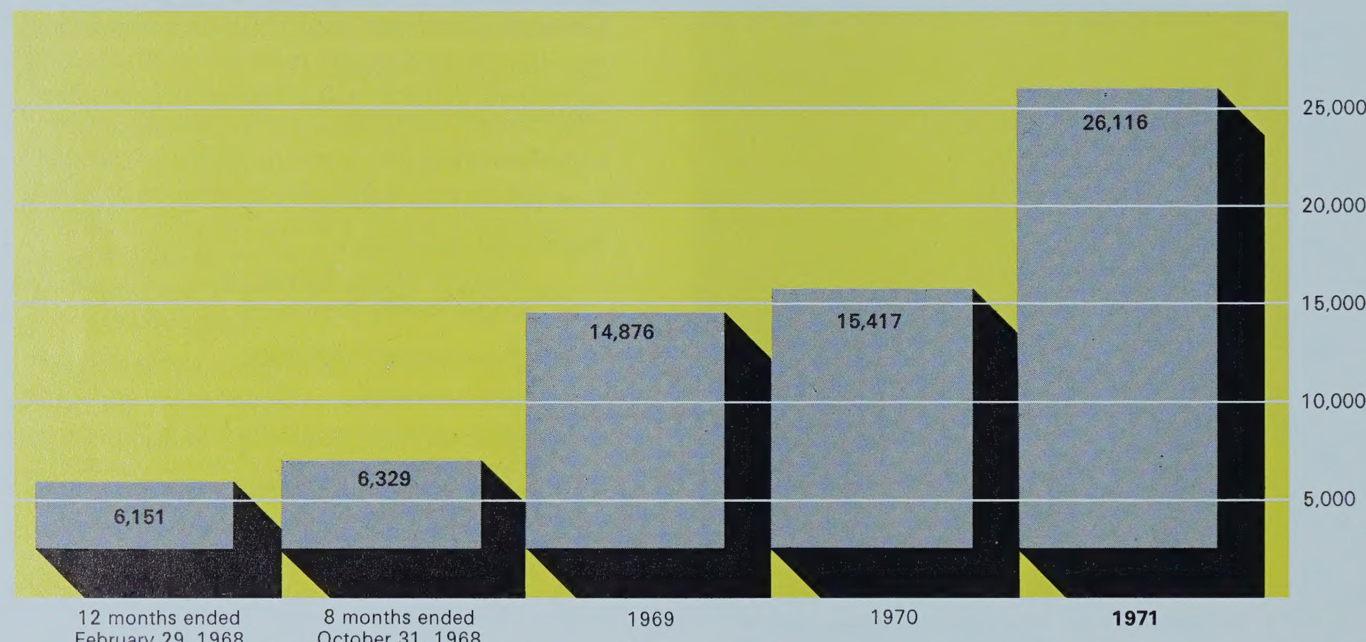

**Percent of Gross Profit** by profit centre **1970**



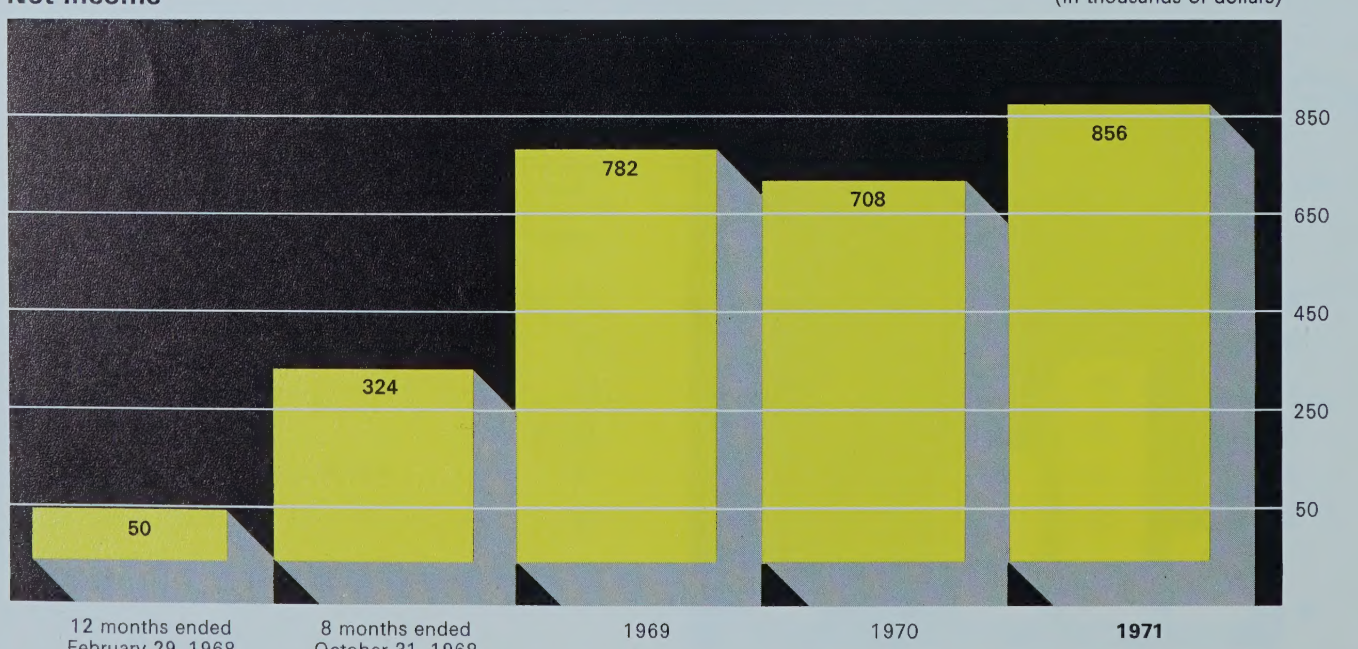

## Contents

# financial highlights

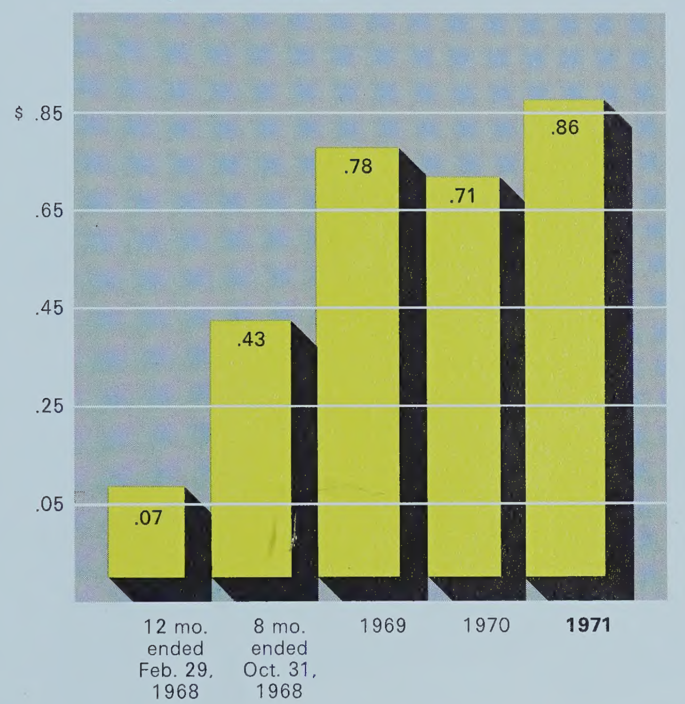
**Total Operating Revenue** (in thousands of dollars)




**Net Income** (in thousands of dollars)

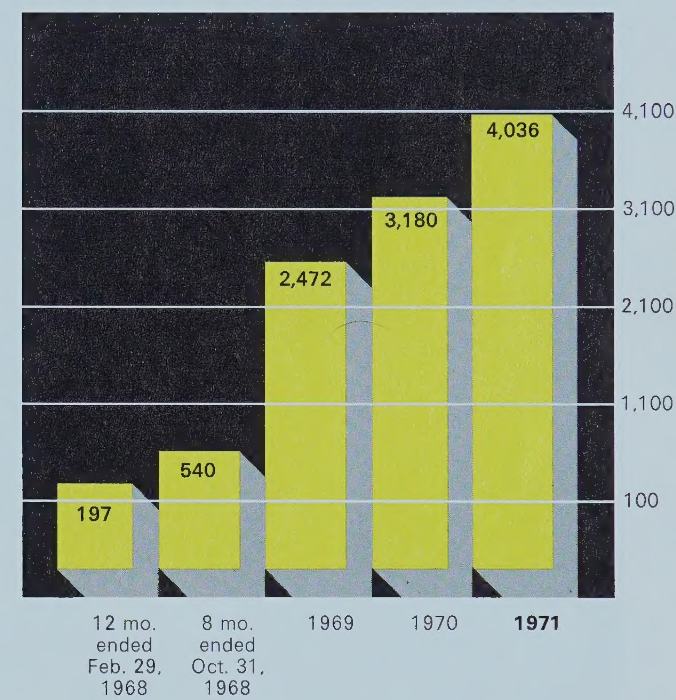


## Earnings Per Share

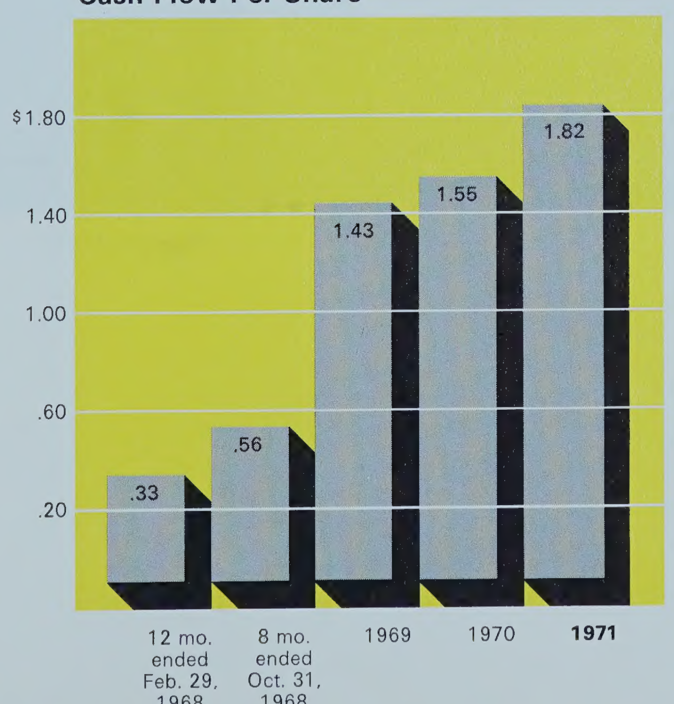



## Shareholders' Equity

(in thousands of dollars)

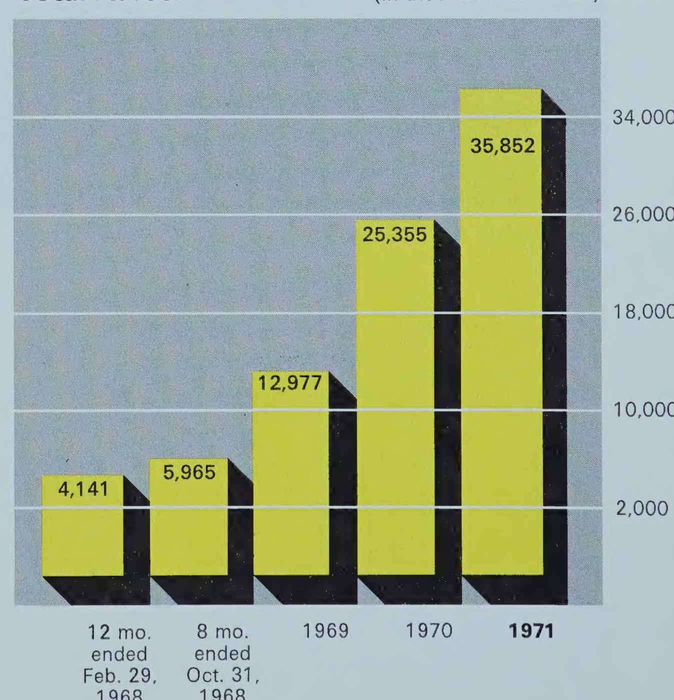



## Cash Flow Per Share



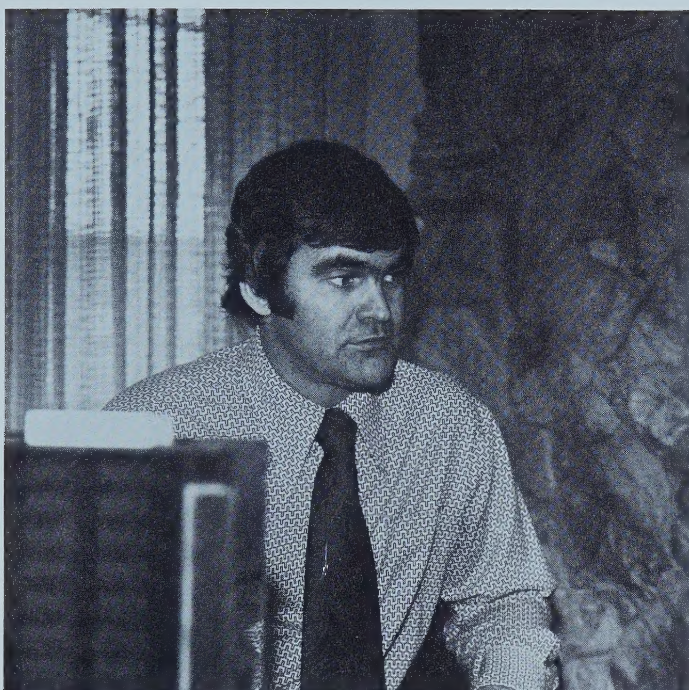

## Total Assets

(in thousands of dollars)



*Gerald K. Schlotzhauer* *John W. Poole* *Dietmar Czisch* *William H. Levine*

# the president's report



It is with sincere pleasure and a distinct sense of accomplishment that I present this message for 1971.

From a modest beginning in 1964 as a builder of resource industry housing, Dawson Developments Limited has, in seven brief years, grown into a fully diversified real estate corporation. Your Company now develops and markets land, single and multiple family homes, high rise and garden apartments, and commercial properties such as office buildings, shopping centres and warehouses. That this has been accomplished through internal growth and without outside acquisition or merger is a matter of pride to management and, we would hope, to our shareholders as well.

A financial comparison of 1971 with 1970 indicates an increase in earnings ( $856,000 versus $708,000); an increase in gross revenue ( $26,116,000 versus $15,417,000); and growth in assets ( $35,852,000 versus $25,355,000).

Recognizing the problems inherent in attempting to measure the performance of a diversified company by operating division, this report will analyze the Company's business by profit centre. It is hoped that this definitive approach will present a more objective view of your Company's operations. The five profit centres are: Contract Construction, Land Development, Commercial Real Estate, Residential Real Estate, and Residential Income Properties.

*Port Hardy, British Columbia*

## CONTRACT CONSTRUCTION

The Contract Construction profit centre had, in 1971, its most active year in terms of gross revenue, $10,600,000, up from $6,400,000 in 1970. Profits, however, did not show a proportionate increase, improving by just $20,000. While several factors contributed to this disappointing performance, the primary cause was the onslaught of severe weather conditions at extremely critical points in the construction sequence of two major resource town projects. The resultant delays and cost overruns placed these contracts in a loss position. A careful, step by step analysis of all aspects of Contract Construction has produced programs calling for tighter cost-control, more accurate scheduling and improved site supervision. I am certain that this unfortunate experience will not be repeated.

Revenue from construction contracts in 1972 is expected to remain at the same level as reported in 1971. However, application of the above mentioned controls is expected to improve margins and make this profit centre a stronger contributor to earnings in 1972.

## LAND DEVELOPMENT

While Land Development showed a decrease in sales to $2,150,000 from $3,215,000, its activities were largely devoted to the acquisition and assembly of raw land and considerable progress was made in this direction. Your Company's land bank currently exceeds 2,000 acres, which, when fully developed will support more than 10,000 dwelling units. This profit centre could increase its contribution to Company earnings during 1972 if favourable timing in relation to development permits and zoning obtains.

## COMMERCIAL REAL ESTATE

Inasmuch as 1971 marks the birth of the Commercial Real Estate Division as a profit centre, it is fitting that this report draw attention to its operation.

Last year's annual report forecast the Company's entry into the commercial market by announcing the start of a 30,000 sq. ft. warehouse in Burnaby and a 12 storey office building in downtown Vancouver. In 1971 these projects were completed, leased and sold. The construction of a 500 car parking structure at 1070 West Pender, developed with Metro Parking Limited holding a 20% interest, was substantially finished. In addition, Greenwood Shopping Centre in Sparwood, British Columbia was built and its leasing program is well underway.

As this is written, ground is being broken for a 23 storey office building in downtown Calgary, and completion is near on the first phase of Mayland Centre, a 100,000 sq. ft. office-warehouse complex also in Calgary.

The Commercial Real Estate Division's plans for Vancouver in 1972 include an office building of 21 stories at 1050 West Pender and a 7 storey office building on West Broadway.

Vancouver, Calgary and Edmonton are Canada's strongest centres in terms of urban growth, and demand for commercial development is a direct extension of population increase. Intelligently located and well designed office buildings, shopping centres and warehouses will find ready acceptance in these metropolitan areas well into the foreseeable future. Your Company intends to capture an increasing share of this market and the Commercial Real Estate Division will be a leading contributor to future earnings.

*Gardner Court Warehouse, Burnaby, British Columbia*

*1090 West Pender and Parking Structure, Vancouver, British Columbia*

*1050 West Pender, Vancouver*

*Dawson Building, Calgary, Alberta*


*Greenwood Shopping Centre, Sparwood, British Columbia*

*Faircliffe, Victoria, British Columbia*

*Simon Fraser Village, Burnaby, British Columbia*

*Champlain Heights, Vancouver, British Columbia*

## RESIDENTIAL REAL ESTATE

### Multiple Family Dwellings

The term, "multiple family dwelling" defines residential accommodation in a structure containing more than one family living unit whether the unit is rented or owned by the occupants. A condominium is a form of multiple family dwelling.

In 1964 your Company built Canada's first condominium development at Port Alice, British Columbia. Since that time it has produced and sold more than 700 units of this type in Victoria and the Lower Mainland of British Columbia.

In 1971, two projects in the Greater Vancouver area containing 321 units were virtually sold out before completion. The immediate acceptance of these compact, 3 bedroom townhouses by families in the under $6,000 income group justified the Company's confidence in the existence of a strong market for this product.

While continuing the search for suitable locations for further developments of this type we are presently negotiating for land in Metropolitan Vancouver on which to build multiple family projects aimed at families in the $6,000 to $12,000 yearly income bracket. I have no doubt that this market is every bit as viable as the one created by the more modest wage earners.

With 296 units under construction, about to be started or in the design stage, your Company has every intention of maintaining a strong position in the condominium field in 1972.

In addition to condominium sales this profit centre reflects income derived from the sale of residential income properties.

## RESIDENTIAL REAL ESTATE

### Single Family Dwellings

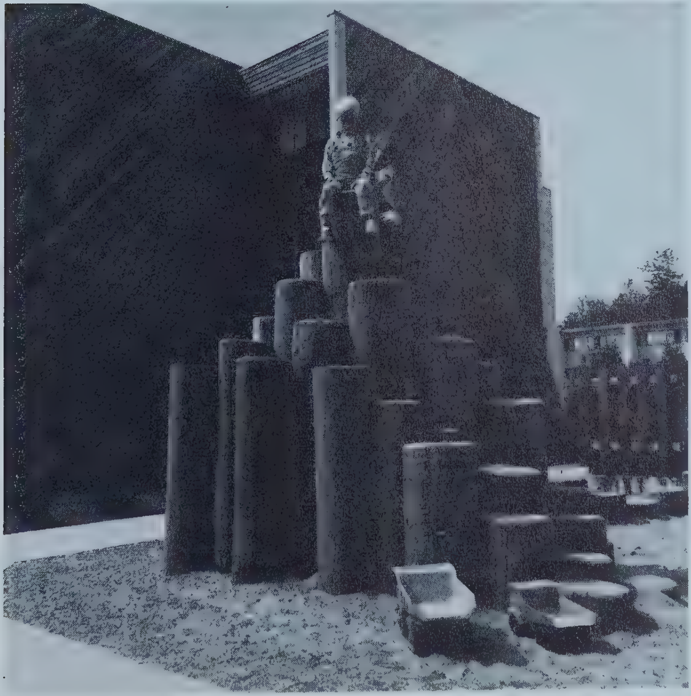
Your Company is no stranger to single family dwelling construction. Most resource industry contracts call for the building of some homes of this type. However, it wasn't until 1970 that a major attempt was made to enter this market at the consumer level. In 1971, 95 homes were sold directly to individual buyers.

Fiscal 1972 will see Dawson Developments Limited move aggressively into this field. A carefully planned program was initiated in 1971 aimed at entering the single family dwelling market in the three major urban centres of Vancouver, Edmonton and Calgary. A fifty unit project is under construction in Edmonton and a further fifty homes have been started in Metropolitan Vancouver. Early spring will see the Calgary project come on-stream. In all, approximately 300 single family units will be built in these three cities in 1972.

*Sparwood, British Columbia*

*Club Montecito, Burnaby, British Columbia*

*Villa Montecito and Club Montecito, Burnaby*



*Villa Montecito*

## RESIDENTIAL INCOME PROPERTIES

In many respects fiscal 1971 was a troublesome year for the Income Properties profit centre although the number of units in your Company's rental portfolio almost doubled (from 359 to 700).

A slow rent period on properties in Calgary and Burnaby along with corresponding start-up losses resulted in an operating deficit after deductions for depreciation and interest. I am pleased to report that these properties have shown a positive cash flow since July 1971 and, although this profit centre will not be a large contributor to earnings in 1972 I definitely look for a marked improvement.

Rental rates have not moved upwards at the same pace as building costs and interest charges, and it is difficult to produce residential income properties today that will contribute to current earnings. However, they are an important source of cash due to deferred income taxes. Profit from the sale of income properties is reported under Real Estate Sales.

Since future rents must move upward to justify investment costs your Company will continue its activity in this field, looking always for well designed projects in prime locations.

*The Hetherington Estate, Calgary, Alberta*

*Club Montecito*

## OUTLOOK

In a very real sense the financial strength of a diversified real estate company can be measured by its relationship with lending institutions. In fiscal 1971 your Company received mortgage commitments from Central Mortgage and Housing Corporation, two major acceptance companies, three national trust companies, three insurance companies and five chartered banks. This support from our lending institutions is a precious ingredient of our continuing success and you may be assured that we will work hard to preserve these relationships. Mortgage funds are in good supply today at rates considerably more attractive than last year and we are well capitalized at this time to carry on normal routine of business. This means that we can financially maintain our anticipated activities for 1972 in construction, land development and the production of a variety of real estate projects for our own portfolio and for resale.

A recent five year study has shown that the most reliable sector of the Canadian economy in terms of steady production is the housing industry. New residential construction (excluding the cost of land) now accounts for over 4 percent of the Gross National Product. The rapid growth in new family household formation, and the continuing trend toward urbanization indicate that housing construction expenditures will grow at an average annual rate of 6 percent. Supporting this demand is the fact that, during the next decade, the major home buying group (25-44 year olds) will grow twice as rapidly as the rest of the population. Furthermore, housing enjoys a high priority position on all government levels, benefiting from wide-ranging initiatives offered by Federal and Provincial authorities.

In view of the above conditions my outlook for the housing industry can only be strongly optimistic and I predict a continuing high level of real estate activity in British Columbia and Alberta, indeed, in all of Canada.

On balance, 1972 should be a very good year for the Company. We are well represented in Calgary, Vancouver and Edmonton, the three fastest growing cities in Canada. Our products are designed to shelter man and his diverse enterprises, and so it can be said that our market is a direct extension of population growth. Our total revenue for next year should be approximately the same as this year, but I expect profit margins to improve.

On behalf of your Board of Directors, I would like to express my appreciation to our employees. They are largely responsible for your Company's continuing success.

J.W. Poole

John W. Poole,
*President*

# auditors' report

To the Shareholders,
Dawson Developments Limited

We have examined the consolidated balance sheet of Dawson Developments Limited (a British Columbia Company) and subsidiaries as of October 31, 1971, and related consolidated statements of income and source and application of cash funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and source and application of cash funds present fairly the financial position of Dawson Developments Limited and subsidiaries as of October 31, 1971, and the results of their operations and source and application of cash funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada,
December 13, 1971.

Arthur Andersen & Co.

*Chartered Accountants.*

Dawson Developments Limited and Subsidiaries

# consolidated statements of income

For the Years Ended October 31, 1971 and 1970

| | 1971 | 1970 |
|---|---|---|
| REVENUE (Notes 1 and 2) | $26,116,242 | $15,416,858 |
| COST OF SALES (Notes 1 and 2) | 22,739,245 | 13,118,003 |
| **Gross Income** | 3,376,997 | 2,298,855 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSE | 954,885 | 706,613 |
| DEPRECIATION AND AMORTIZATION (Note 1) | 242,938 | 153,369 |
| INTEREST EXPENSE | 875,571 | 291,095 |
| | 2,073,394 | 1,151,077 |
| | 1,303,603 | 1,147,778 |
| OTHER INCOME | 293,700 | 256,673 |
| INCOME BEFORE INCOME TAXES | 1,597,303 | 1,404,451 |
| PROVISION FOR INCOME TAXES | 740,910 | 696,500 |
| **Net Income** (Note 1) | $ 856,393 | $ 707,951 |
| **Earnings Per Share** (Note 14) | | |

*The accompanying notes are an integral part of these financial statements.*

Dawson Developments Limited and Subsidiaries

# consolidated balance sheets

October 31, 1971 and 1970

| **Assets** | **1971** | **1970** |
|---|---|---|
| CASH AND DEPOSIT RECEIPTS | $ 51,510 | $ 36,648 |
| RECEIVABLES (Note 3): | | |
| Due on contracts and sales | 6,589,606 | 2,617,995 |
| Retentions | 1,300,560 | 230,452 |
| Affiliates | 250,578 | 323,544 |
| Notes | — | 148,750 |
| Mortgage advances | 1,822,730 | 835,000 |
| Agreements for sale (Note 4) | 3,655,264 | 2,697,855 |
| LAND HELD FOR DEVELOPMENT (Notes 1, 5 and 6) | 7,042,423 | 5,718,421 |
| EXCESS OF COSTS ON INCOMPLETE CONTRACTS OVER BILLINGS OF $572,486 | — | 207,738 |
| REAL ESTATE HELD FOR RESALE AND UNDER CONSTRUCTION, at lower of cost or market | 1,876,579 | 1,634,356 |
| INVESTMENTS IN AND ADVANCES TO AFFILIATES (Note 7) | 391,428 | 190,251 |
| INCOME PROPERTIES UNDER CONSTRUCTION (Note 8) | 2,080,849 | 2,006,438 |
| INCOME PROPERTIES, at cost, less accumulated depreciation of 1971—$176,777; 1970—$46,905 (Notes 1 and 8) | 8,329,756 | 7,065,958 |
| LEASEHOLD INTEREST IN PROPERTIES (Note 9) | 1,970,000 | 1,167,000 |
| EQUIPMENT, at cost, less accumulated depreciation of 1971—$243,920; 1970—$160,379 | 262,572 | 228,260 |
| DEFERRED CHARGES, less amortization of 1971—$33,096; 1970—$14,640 | 228,395 | 246,500 |
| | $35,852,250 | $25,355,166 |

Approved on Behalf of the Board:

GRAHAM R. DAWSON, Director
JOHN W. POOLE, Director

*The accompanying notes are an integral part of these financial statements.*

| Liabilities | 1971 | 1970 |
|---|---|---|
| BANK LOANS (Note 3) | $ 3,718,900 | $ 474,984 |
| TRADE PAYABLES | 6,753,638 | 3,912,421 |
| MORTGAGE AND AGREEMENTS FOR SALE ON LAND (Note 6) | 4,813,711 | 3,413,877 |
| EXCESS OF BILLINGS ON INCOMPLETE CONTRACTS OVER COSTS OF $1,635,456 | 18,279 | — |
| MORTGAGE ADVANCES ON REAL ESTATE HELD FOR RESALE | 617,827 | 2,213,356 |
| MORTGAGES PAYABLE ON INCOME PROPERTIES (Note 8) | 7,335,902 | 5,146,838 |
| LONG TERM LEASE OBLIGATIONS (Note 9) | 1,970,000 | 1,167,000 |
| DEFERRED INCOME TAXES | 2,387,142 | 1,646,232 |
| 8.5% CONVERTIBLE SINKING FUND DEBENTURES, Series A (Note 10) | 4,200,000 | 4,200,000 |
| CONTINGENT LIABILITIES AND COMMITMENTS (Note 12) | | |
| SHAREHOLDERS' EQUITY: | | |
| Capital — (Notes 10, 11 and 12) — | | |
| Shares without par value, | | |
| Authorized, 3,000,000 shares | | |
| Outstanding 1,000,200 shares | 1,151,004 | 1,151,004 |
| Retained earnings (Note 10) — | | |
| Balance, beginning of year | 2,029,454 | 1,321,503 |
| Net income | 856,393 | 707,951 |
| Balance, end of year | 2,885,847 | 2,029,454 |
| | 4,036,851 | 3,180,458 |
| | $35,852,250 | $25,355,166 |

Dawson Developments Limited and Subsidiaries

# consolidated statements of source and application of cash funds

For the Years Ended October 31, 1971 and 1970

| SOURCE OF CASH FUNDS: | 1971 | 1970 |
|---|---|---|
| Operations — | | |
| Net Income | $ 856,393 | $ 707,951 |
| Non-cash charges deducted in arriving at net income — | | |
| Depreciation (Note 1) | 224,482 | 138,729 |
| Deferred charges written off | 18,456 | 14,640 |
| Deferred income taxes | 740,910 | 696,500 |
| Less — earnings of affiliate included in income above (Note 7) | (21,586) | (7,694) |
| **Cash Funds Provided From Operations** | $ 1,818,655 | $ 1,550,126 |
| Mortgage and agreements for sale payable on land (Note 6) | 2,685,538 | 2,717,509 |
| Mortgage advances on real estate held for resale | — | 2,213,356 |
| Mortgage advances on income properties (Note 8) | 2,189,064 | 1,079,803 |
| Proceeds of share issue (Notes 10 and 11) | — | 1,000 |
| Proceeds of debenture issue, net of discount | — | 4,032,000 |
| Decrease in receivables | — | 390,932 |
| Increase in payables | 2,841,217 | 361,410 |
| Increase in cash and bank borrowings (Note 3) | 3,229,054 | 188,636 |
| | $12,763,528 | $12,534,772 |

| APPLICATION OF CASH FUNDS: | 1971 | 1970 |
|---|---|---|
| Net additions to income properties (Notes 1 and 8) | $ 1,468,082 | $ 4,263,344 |
| Net additions to equipment | 128,921 | 73,957 |
| Investments in affiliates (Note 7) | 179,591 | 118,018 |
| Agreements receivable (Note 4) | 957,409 | 2,325,504 |
| Land held for development (Notes 1 and 5) | 1,324,002 | 2,072,302 |
| Mortgages receivable | 987,730 | 335,000 |
| Deferred charges | — | 56,577 |
| Decrease in agreements for sale payable | 1,285,704 | 1,655,714 |
| Real estate held for resale and under construction | 242,223 | 1,634,356 |
| Increase in receivables | 4,594,337 | — |
| Decrease in mortgage advances on real estate held for resale | 1,595,529 | — |
| | $12,763,528 | $12,534,772 |

**Cash Flow Per Share** (Note 14)

*The accompanying notes are an integral part of these financial statements.*

# notes to consolidated financial statements

October 31, 1971

1. ACCOUNTING POLICIES:

(a) The Company uses the completed contract method of recording revenue and costs on fixed price contracts. Under this method, revenue and costs are deferred until the project is 85% complete and costs to complete can be reasonably ascertained. Claims by or against owners, relating to adjustments arising out of contracts completed in prior years are generally recorded in the year such claims or adjustments are resolved.

(b) The Company defers operating losses (including interest) on income properties until 70% occupancy is attained or until six months from date of completion of construction of the property, whichever is earlier. These operating losses are capitalized and amortized in accordance with the depreciation policy. Net operating losses capitalized in the current year amount to $21,747 (1970—$199,840).

(c) The Company capitalizes interest, property taxes and related development costs on land held for development.

(d) The Company does not capitalize general and administrative expense on land held for development and income properties.

(e) The Company uses the sinking fund method of depreciation on income properties based on 3% over 40 years.

(f) The consolidated financial statements include the assets and liabilities and the results of operations of the wholly owned subsidiaries, Vista Gardens Development Ltd., D.D.L. Imports Ltd., Polar Construction Co. Limited, P. & D. Construction Ltd., D.D.L. Management Ltd., and Greenwood Shopping Centre Ltd.

(g) The Company owns an 80% interest in the Thurlow Parking joint venture, a 50% interest in the Thurlow-Alberni joint venture and a 33⅓% interest in the Woodcroft Lands joint venture. The Company's equity in these joint ventures is accounted for on a line-by-line basis.

2. REVENUE AND COST OF SALES (in $000):

The details of revenue and cost of sales are as follows:

| | 1971 | | | 1970 | | |
|---|---|---|---|---|---|---|
| | Revenue | Cost of Sales | Gross Income | Revenue | Cost of Sales | Gross Income |
| Construction Contracts | $10,630 | $10,222 | $ 408 | $ 6,403 | $ 6,024 | $ 379 |
| Land | 2,150 | 1,613 | 537 | 3,215 | 2,164 | 1,051 |
| Real Estate — Residential | 8,574 | 7,329 | 1,245 | 5,560 | 4,870 | 690 |
| — Commercial | 3,910 | 3,186 | 724 | — | — | — |
| Income Property Rental (excluding interest and depreciation) | 852 | 389 | 463 | 239 | 60 | 179 |
| | $26,116 | $22,739 | $3,377 | $15,417 | $13,118 | $2,299 |

3. BANK LOANS:

The Company's bank loans are secured by a general assignment of receivables and by a debenture which gives a floating charge on the assets of the Company and a fixed charge on two specific properties.

4. AGREEMENTS FOR SALE RECEIVABLE:

The agreements for sale receivable yield interest at a weighted average of 7.09%. Principal payments due on these agreements are as follows:

| Year Ending | |
|---|---|
| October 31, 1972 | $2,339,954 |
| October 31, 1973 | 883,416 |
| October 31, 1974 | 305,916 |
| October 31, 1975 | 36,667 |
| October 31, 1976 | 36,667 |
| October 31, 1977 | 15,000 |
| October 31, 1978 | 15,000 |
| October 31, 1979 and subsequent | 22,644 |
| | $3,655,264 |

5. LAND HELD FOR DEVELOPMENT:

Land held for development is stated at the lower of cost or market. Cost includes interest, property taxes, development costs and professional fees. The details of the land account are as follows:

| | 1971 | 1970 |
|---|---|---|
| Land, at cost | $5,245,122 | $5,002,461 |
| Development costs | 701,208 | 63,528 |
| Interest | 552,065 | 392,470 |
| Taxes, professional fees and options | 544,028 | 259,962 |
| | $7,042,423 | $5,718,421 |

5. LAND HELD FOR DEVELOPMENT *(continued)*

The following table represents approximately 80% of the Company's land holdings:

| *Alberta* | *Location* | *Acreage* | *Intended Use* |
|---|---|---|---|
| Saddle Ridge | Calgary | 910 acres | Mixed Residential and Commercial |
| Leduc | Leduc | 58 acres | Residential Single Family |
| *British Columbia* | | | |
| Lions Bay | Vancouver | 85 acres | Residential Subdivision |
| Howe Sound | Georgia Strait | 149 acres | Recreational Subdivision |
| 64th Street | Delta | 70 acres | Residential Single Family |
| Camelot | West Vancouver | 32 acres | Residential Medium Density |
| Woodcroft | West Vancouver | 14 acres | Residential High Density |
| Montecito | Burnaby | 13 acres | Residential Medium Density |
| Simon Fraser | Burnaby | 21 acres | Residential Medium Density |
| White Rock | White Rock | 5 acres | Residential Medium Density |
| 102nd Avenue | Surrey | 5 acres | Residential Medium Density |
| *Other* | | | |
| Lincoln City | Oregon, U.S.A. | 155 acres | Residential Mixed Density |

6. MORTGAGE AND AGREEMENTS FOR SALE PAYABLE ON LAND:

The mortgage and agreements for sale payable bear interest at a weighted average rate of 6.68%. Principal payments are due on these agreements as follows:

| Year Ending | |
|---|---|
| October 31, 1972 | $1,932,766 |
| October 31, 1973 | 676,907 |
| October 31, 1974 | 480,658 |
| October 31, 1975 | 455,566 |
| October 31, 1976 | 369,468 |
| October 31, 1977 | 299,166 |
| October 31, 1978 | 245,000 |
| October 31, 1979 | 274,180 |
| October 31, 1980 and subsequent | 80,000 |
| | $4,813,711 |

7. INVESTMENTS IN AND ADVANCES TO AFFILIATES:

The Company owns 50% of Hi-View Estates Ltd., Dawnex Properties Ltd. and College Park Developments (1970) Ltd. Investments in these companies are accounted for on the equity basis and accordingly $21,586 has been included in the current year's income being the Company's share of the net income of these affiliates. The advances to these companies at October 31, 1971 amounted to $172,556.

8. MORTGAGES PAYABLE ON INCOME PROPERTIES:

The mortgages payable on income properties are as follows:

| | | |
|---|---|---|
| 8.5% | —payable in monthly installments of $15,929 for principal and interest to January, 2001 | $2,096,039 |
| 8.5% | —payable in monthly installments of $4,551 for principal and interest to March, 2001 | 597,713 |
| 8.875% | —payable in monthly installments of $10,008 for principal and interest to April, 2000 | 1,263,447 |
| 9.5% | —payable in monthly installments of $7,975 for principal and interest to March, 1996 | 765,528 |
| 11% | —payable in monthly installments of $2,680 for principal only to October, 1980 | 305,491 |
| 11% | —payable in monthly installments of $8,633 for principal and interest to May, 1991 | 843,778 |
| 11% | —payable in June, 1973 | 178,938 |
| 9.5% | —payable in monthly installments of $3,333 for principal and interest to February, 1996 | 321,682 |
| 9.5% | —payable in monthly installments of $775 for principal and interest to July, 1996 | 89,747 |
| 12% | —mortgage advance on income property under construction | 455,690 |
| Non-interest bearing payable on November 30, 1971 | | 117,500 |
| Other sundry mortgages payable at various monthly installments for different periods | | 300,349 |
| | | $7,335,902 |

9. LEASEHOLD INTEREST AND OBLIGATIONS:

The Company has entered into lease agreements for terms up to 71 years. The annual rentals amount to $452,133 until 1976 when the first of these leases is adjusted in accordance with terms contained in the lease. The actuarially computed present value of the rentals required to be paid under the leases has been capitalized as "Leasehold Interest in Properties" and the corresponding liability has been set up as "Long Term Lease Obligations."

10. 8.5% CONVERTIBLE SINKING FUND DEBENTURES, SERIES A:

The Series A Debentures which mature March 15, 1985 are secured by a floating charge on the assets of the Company.

Under the terms of the Trust Indenture, the Company may declare dividends if the effect of paying such dividends does not reduce the Company's retained earnings below $1,320,503.

Commencing March 15, 1976 an amount sufficient to retire $420,000 of debenture principal must be paid annually to a sinking fund. The debentures may be redeemed for other than sinking fund purposes under certain conditions at a maximum premium of 104.8% of the principal amount.

The debentures may be converted into common shares on the basis of 120 fully paid shares of the Company for each $1,000 of debenture principal up to and including March 15, 1980.

11. STOCK OPTIONS:

The Company has a stock option plan under which options have been granted to certain directors, officers and employees of the Company at an option price of $5.00 and $7.00 per share as follows:

| Date of Options | Options granted to Directors and Officers | Options granted to Other Employees |
|---|---|---|
| January 1, 1969 expiring December 31, 1974 @ $5.00 per share | 5,000 | 4,000 |
| May 27, 1970 expiring January 25, 1975 @ $5.00 per share | 15,000 | 21,700 |
| January 25, 1971 expiring January 25, 1976 @ $7.00 per share | 5,500 | 5,200 |
| | 25,500 | 30,900 |

The options granted are for a 5 year period but can be exercised not more than 20% on a cumulative basis in each year.

There were no options exercised during the year.

12. CONTINGENT LIABILITIES AND COMMITMENTS:

The Company is contingently liable for the following:

(a) Guarantee of payments of agreements for sale on land purchased by an affiliated company. The outstanding balance on these agreements is $361,750.

(b) Guarantee of mortgages of joint ventures. The outstanding balance on these mortgages is $1,142,205.

(c) Usual liabilities of contractors for the completion of contracts.

(d) The Company has agreed to re-acquire all the issued shares and to repay shareholders' loans of a real estate development company for a maximum price of $282,221 and expenses incurred by that company in the clearing of titles to land held by the said real estate development company, provided such titles can, on or before October 31, 1973, be cleared. Expenses incurred by the real estate development company to October 31, 1971 are $291,940.

(e) The Company is committed, subject to the vendor's ability to give clear title, to acquire a parcel of land in exchange for 40,000 common shares.

13. REMUNERATION TO DIRECTORS AND SENIOR OFFICERS:

The aggregate remuneration paid by the Company and its subsidiaries directly or indirectly to the Directors and Senior Officers of the Company for the year ended October 31, 1971 amounted to $167,898.

| 14. EARNINGS AND CASH FLOW PER SHARE: | **1971** | **1970** |
|---|---|---|
| Earnings | $0.86 | $0.71 |
| Cash flow | 1.82 | 1.55 |
| Fully-diluted earnings | 0.69 | 0.62 |

The fully-diluted earnings per share reflect income that would have been reported had the Convertible Sinking Fund Debentures been converted.

## Directors

Norman E. Cressey, P.Eng., *Vice-President*
Dawson Developments Limited, Vancouver

Graham R. Dawson, P.Eng., *President*
Dawson Construction Limited, Vancouver

Roderick M. Hungerford, *President*
Flex-Lox Industries Ltd., Vancouver

William B. Laurie, C.A., *Vice-President*
Dawson Construction Limited, Vancouver

George B. McKeen, *Chairman of the Board*
Riv Tow Straits Limited, Vancouver

John W. Poole, P.Eng., *President*
Dawson Developments Limited, Vancouver

Robert Thomson, *Retired*
formerly Executive Director of
Standard Life Assurance Company, Montreal

H. Richard Whittall, *Partner*
Richardson Securities of Canada, Vancouver

## Officers

Norman E. Cressey, P.Eng., *Vice-President—Operations*

Graham R. Dawson, P.Eng., *Chairman of the Board*

William H. Levine, *Vice-President—Finance & Secretary*

John W. Poole, P.Eng., *President & Chief Executive Officer*

Kamal G. Rizkalla, C.A., *Comptroller*

## Management

C. Stanley Allington, *Manager—Land Development (British Columbia)*

Robert B. Biely, *Manager—Income Properties*

Dietmar Czisch, *Project Manager*

Walter H. Erickson, *Project Manager*

Gordon W. Gauley, *Manager—Contract Sales*

Robert A. Gibbons, *Manager—Calgary Housing Division*

John E. James, *Land Development Officer*

John I. Johannson, *Project Manager*

Ian T. Munro, *Project Manager*

Russell A. Nunn, *General Manager—Alberta Operations*

Donald J. Owens, *Director—Administration & Public Relations*

Gerald R. Reyner, *Manager—Edmonton Division*

Walter G. Roper, *Director—Quality Control*

Gerald K. Schlotzhauer, *Manager—Commercial Division*

Bernard Springman, *Manager—Residential Sales*

William B. Townsend, *Project Manager*

H. James White, *Chief Architect*

## Subsidiaries and Affiliates

| | |
|---|---|
| VISTA GARDENS DEVELOPMENT LTD. | 100% |
| D.D.L. IMPORTS LTD. | 100% |
| P. & D. CONSTRUCTION LTD. | 100% |
| POLAR CONSTRUCTION CO. LIMITED | 100% |
| D.D.L. MANAGEMENT LTD. | 100% |
| GREENWOOD SHOPPING CENTRE LTD. | 100% |
| DAWNEX PROPERTIES LTD. | 50% |
| COLLEGE PARK DEVELOPMENTS (1970) LTD. | 50% |
| HI-VIEW ESTATES LTD. | 50% |

## Joint Ventures

| | |
|---|---|
| THURLOW & ALBERNI | 50% |
| THURLOW PARKING | 80% |
| WOODCROFT LANDS | 33⅓% |

**dawson developments limited**

*Head Office:*
745 Clark Drive, Vancouver 6, British Columbia

*Calgary Office:*
1670 - 540 5th Avenue S.W., Calgary, Alberta

*Edmonton Office:*
10010 105th Street, Edmonton, Alberta

The auditors of the Company are
Messrs. Arthur Andersen & Co.,
Chartered Accountants,
1055 West Hastings Street, Vancouver

The transfer agent and registrar for the shares and debentures of the Company is National Trust Company, Limited at its principal offices located in Montreal, Toronto, Winnipeg, Calgary and Vancouver and through its agent, Canada Permanent Trust Company in Regina.

*Stock listed:*
Vancouver Stock Exchange
Toronto Stock Exchange
Montreal Stock Exchange

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## CONSOLIDATED STATEMENTS OF INCOME FOR THE SIX MONTHS ENDED APRIL 30, 1971



*(with comparative figures for 1970)*
(Prepared without audit)

| | 1971 | 1970 |
|---|---|---|
| Operating revenue | $7,628,663 | $3,920,658 |
| Operating costs | 6,732,525 | 3,080,544 |
| Gross profit | 896,138 | 840,114 |
| Administrative expense | 287,290 | 343,824 |
| *Profit before undernoted items* | 608,848 | 496,290 |
| Interest expense | 150,959 | 28,759 |
| Depreciation | 117,175 | 29,499 |
| Income taxes | 175,400 | 217,300 |
| | 443,534 | 275,558 |
| *Net Income for the period* | $ 165,314 | $ 220,732 |
| Earnings per share | **16.5¢** | **22.0¢** |

## CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF CASH FUNDS FOR SIX MONTHS ENDED APRIL 30, 1971

*(with comparative figures for 1970)*

| | 1971 | 1970 |
|---|---|---|
| **SOURCE OF FUNDS:** | | |
| Operations— | | |
| Net income | $ 165,314 | $ 220,732 |
| Non cash charges— | | |
| Depreciation and deferred charges | 117,175 | 29,499 |
| Deferred income taxes | 175,400 | 217,300 |
| | 457,889 | 467,531 |
| Mortgage advances on income properties | 3,739,195 | 2,060,449 |
| Real estate held for re-sale | 1,169,399 | (412,958) |
| Notes and accounts receivable | 2,291,820 | 3,509,215 |
| Investments and advances to affiliates | 321,115 | (23,190) |
| Bank borrowing | 1,148,118 | (1,067,259) |
| Agreements for sale payable | 502,599 | (155,539) |
| Proceeds of 8½% debenture | — | 4,032,000 |
| Proceeds of shares issued | — | 1,000 |
| | $9,630,135 | $8,411,249 |
| **APPLICATION OF FUNDS:** | | |
| Additions to income properties and fixed assets | $2,299,416 | $3,596,066 |
| Construction in progress | 2,695,356 | — |
| Land held for development | 1,819,959 | 1,848,280 |
| Agreements for sale receivable | 1,169,834 | 940,347 |
| Accounts payable and accrued liabilities | 1,645,570 | 1,993,487 |
| Deferred charges | — | 33,069 |
| | $9,630,135 | $8,411,249 |

# INTERIM REPORT

## For six months ending

## April 30, 1971

DAWSON developments limited
KEY TO CONTEMPORARY LIVING

## THE PRESIDENT'S MESSAGE

I am pleased to present this report on operations for the six-month period ended April 30, 1971.

Fiscal 1971 promises to be a better year for your Company than 1970. As present activity continues, total revenue from all divisions for the current year should exceed $20 million, compared with $15.4 million for 1970. I am confident that this increase in revenue will produce a higher level of earnings than that achieved in 1970.

The preceding statement may seem at odds with earnings reported for the first 6 months of 1971, however, several factors have contributed to this anomaly. To begin with, it is a matter of Company policy to delay the recording of earnings on construction contracts until such projects are 85% completed. While a number of projects would not have reached the required state of completion by April 30 in any event, severe weather conditions have caused unexpected delays in construction on others. Adverse weather has also been responsible for cost-overruns on certain contracts. The Income Properties Division experienced a slowdown in new rentals on completed apartment projects, brought about, to some degree, by a generally soft real estate market.

The following figures are highlights for the first half of fiscal 1971 compared with the same period in 1970.

| | 1971 | 1970 |
|---|---|---|
| Net Earnings | $ 165,314 | $ 220,732 |
| Net Earnings Per Share | 16.5¢ | 22¢ |
| Operating Revenue | $7,628,663 | $3,920,658 |

Three condominium developments totalling 343 dwelling units will be completed in June. Selling programs are now underway and the majority of units should be sold prior to our year end.

Leasing of the 1090 West Pender Street office building is proceeding on schedule. The completion date for the project is September 1, 1971, by which time we expect to have 75% of the space leased. Construction is underway on a 480-car parking garage to be completed in September of this year. This is a joint venture with Metro Parking Ltd. with your Company retaining 80% interest.

Contracts with resource industries for the construction of 335 housing units at several locations in British Columbia have been signed and all units should be completed this year.

In spite of the nagging unemployment picture, business in Canada generally seems to have taken an upturn. Large additional sums of money have been made available by the Federal Government for low income housing and this is bound to have a favorable effect on the economy. Speaking for the officers and management of your Company, I can say that we have a decidedly optimistic view of the coming year.

For the Board of Directors,
JOHN W. POOLE,
*President and Chief Executive Officer*

## CONSOLIDATED BALANCE SHEET AS AT APRIL 30, 1971

*(with comparative figures for 1970)*
(Prepared without audit)

| | 1971 | 1970 |
|---|---|---|
| **ASSETS:** | | |
| Cash and term deposits | $ — | $ 1,292,559 |
| Accounts and notes receivable | 1,669,643 | 730,581 |
| Construction in progress | 2,903,094 | 104 |
| Inventory of completed homes | 464,957 | 412,958 |
| Land held for development | 7,538,380 | 5,494,399 |
| Agreements for sale receivable | 3,867,689 | 1,312,698 |
| Investments in and advances to affiliates | 192,680 | 284,564 |
| Income properties under construction, at cost | 3,203,953 | 3,973,227 |
| Income producing properties, at cost, less accumulated depreciation | 8,036,208 | 3,070,179 |
| Equipment, at cost, less accumulated depreciation of $157,131 | 250,484 | 215,511 |
| Deferred charges, less accumulated amortization | 238,752 | 237,632 |
| | $28,365,840 | $17,024,412 |
| **LIABILITIES:** | | |
| Bank loan | $ 1,586,454 | $ 375,000 |
| Accounts payable | 4,480,207 | 1,835,667 |
| Agreements for sale payable | 3,916,476 | 2,166,543 |
| 8.5% debenture payable | 4,200,000 | 4,200,000 |
| Mortgages payable | 8,886,033 | 4,734,231 |
| Deferred income taxes | 1,950,898 | 1,019,732 |
| | 25,020,068 | 14,331,173 |
| **SHAREHOLDER'S EQUITY:** | | |
| Capital: | | |
| Common shares without par value— | | |
| Authorized—3,000,000 shares | | |
| Issued —1,000,200 shares | 1,151,004 | 1,151,004 |
| Retained Earnings: | | |
| Balance November 1, 1970 | 2,029,454 | 1,321,503 |
| Add—Income for the period | 165,314 | 220,732 |
| | 2,194,768 | 1,542,235 |
| | 3,345,772 | 2,693,239 |
| | $28,365,840 | $17,024,412 |